

Introduction

- Orientation
 - Looking forward
 - The tax practitioner's tools
 - Tax policy considerations

IDENTIFYING TAXABLE INCOME

Identification of income subject to taxation

GROSS INCOME	<p>Gross income: the scope of § 61</p> <ul style="list-style-type: none"> Introduction to income Equivocal receipt of financial benefit <ul style="list-style-type: none"> <i>Cesarini</i> <i>Old Colony Trust Co.</i> <i>Glenshaw Glass Co.</i> <i>Charley</i> Income without receipt of cash or property <ul style="list-style-type: none"> <i>Independent Life Ins. Co.</i> <i>Revenue Ruling 79-24</i> <i>Dean</i>
INCLUSION & EXCLUSION	<ul style="list-style-type: none"> Exclusion of gifts and inheritances <ul style="list-style-type: none"> Rules of inclusion and exclusion Gifts <ul style="list-style-type: none"> The income tax meaning of a gift <ul style="list-style-type: none"> <i>Duberstein</i> Bequests, devises, and inheritances <ul style="list-style-type: none"> <i>Lyeth v. Hoey</i> Employee benefits <ul style="list-style-type: none"> Exclusions for fringe benefits
GAIN	<ul style="list-style-type: none"> Gain from dealings in property <ul style="list-style-type: none"> Factors in the determination of gain Determination of basis <ul style="list-style-type: none"> Cost as basis <ul style="list-style-type: none"> <i>Philadelphia Park Amusement Co.</i> Property acquired by gift <ul style="list-style-type: none"> <i>Taft v. Bowers</i> Property acquired between spouses Property acquired from a decedent The amount realized <ul style="list-style-type: none"> <i>International Freighting Corporation, Inc.</i> <i>Crane</i>
	<ul style="list-style-type: none"> Life insurance proceeds and annuities <ul style="list-style-type: none"> Life insurance proceeds Annuities Discharge of Indebtedness <ul style="list-style-type: none"> <i>Kirby Lumber Co.</i>

IDENTIFYING
THE TAXPAYER

Identification of the proper taxpayer

Assignment of Income

Introduction

Income from services

Lucas v. Earl

Income from property

Horst

Blair

Estate of Stranahan

Susie Salvatore

Income producing entities

Introduction

DEDUCTIONS

Deductions in computing taxable income

BUSINESS DEDUCTIONS

Business deductions

Introduction

The anatomy of the business deduction workhorse: § 162

“Ordinary and necessary”

Welch

“Carrying on” business

Morton Frank

Specific business deductions

Travel “away from home”

Rosenspan

Andrews

Expenses for education

Hill

Coughlin

Depreciation

Introduction

Special depreciation rules on personal property

Special rules on realty

OTHER DEDUCTIONS

NON-BUSINESS
DEDUCTIONS

Deductions for profit-making, nonbusiness activities

Section 212 expenses

Higgins

Deductions not limited to business or profit-seeking activities

Introduction

*Tax Subsidies as a Device for Implementing
Government Policy*

Interest

Taxes

Cramer

Restrictions on deductions

Introduction

Deductions limited to amount at risk

Activities not engaged in for profit

Passive activity limitations

INDIVIDUALS'
DEDUCTIONS

Deductions for individuals only

The concept of adjusted gross income

Excerpt from Senate Finance Committee

(DEDUCTIONS)

(OTHER
DEDUCTIONS)

(INDIVIDUALS'
DEDUCTIONS)

Report No. 885

Moving expenses

Extraordinary medical expenses

Raymon Gerard

Personal and dependency exemptions

The standard deduction

TIMING

The year of inclusion or deduction

Fundamental timing principles

Introduction

CASH
METHOD

The cash receipts and disbursements method

Receipts

Charles F. Kahler

Hornung

Disbursements

Boylston Market Ass'n

ACCRUAL
METHOD

The accrual method

Income items

Spring City Foundry Co.

Revenue Rule 70-151

North American Oil

New Capital Hotel

Arnell Co.

Deduction items

CHARACTERIZATION

The characterization of income and deductions

Capital gains and losses

Introduction

CAPITAL GAINS

The mechanics of capital gains

The mechanics of capital losses

The meaning of "capital asset"

The statutory definition

Mauldin

Malat v. Riddell

The holding period

Revenue Ruling 66-7

Statutorily created capital gain and loss consequences

Section 1231 recharacterization

Williams v. McGowan

Characterization on the sale of depreciable property

Recapture under § 1245

Revenue Ruling 69-487

Recapture on the sale of depreciable real property

Deferral and nonrecognition of income and deductions

The interrelationship of timing and characterization

INSTALLMENT
METHOD

Transactions under § 453

The general rule

Situations in which § 453 is inapplicable

Special rules related to § 453

(INSTALLMENT
METHOD)

Transactions outside of § 453
Open transactions
Burnet v. Logan
Closed transactions

CLASSIFICATION
AND CREDITS

Converting taxable income into tax liability

Computations
Classification of taxpayers and rates
Credits against tax
The alternative minimum tax

REAL ESTATE

Real estate transactions

LIKE KIND
EXCHANGES

Like kind exchanges
The like kind exchange requirements
Bloomington Coca-Cola Bottling Co.
Crichton
Three-cornered exchanges
Revenue Ruling 77-297
Other § 1031 issues

Gain from the sale of a principal residence
Disallowance of interest deductions
Revenue Ruling 87-22
Casualty and theft losses

LITIGATION

Tax consequences of litigation

Damages and related receipts
Damages in general
Raytheon Production Corporation
Damages and other recoveries for personal injuries
Settlements
Revenue Ruling 79-313
Sinyard v. Commissioner

DIVORCE

Tax consequences of divorce

Separation and divorce
Alimony and separate maintenance payments
Direct payments
Indirect payments
I.T. 4001
Child support
Property settlements
Alimony payments made by a third party
Meyer J. Fleischman v. Commissioner